

Introduced by Senator Leno

February 17, 2012

An act to amend Section 44559.4 of the Health and Safety Code, relating to California Pollution Control Financing Authority.

LEGISLATIVE COUNSEL'S DIGEST

SB 1116, as introduced, Leno. California Pollution Control Financing Authority: Capital Access Loan Program.

The California Pollution Control Financing Authority Act establishes the Capital Access Loan Program for small businesses, administered by the California Pollution Control Financing Authority, which provides loans through participating financial institutions to qualifying small businesses. The authority is required to create a loss reserve account for each financial institution. The act requires a financial institution, if it decides to enroll a qualified loan under the act in order to obtain the protection against loss provided by its loss reserve account, to notify the authority in writing, as specified, within 10 days after the date on which the loan is made. The act requires a participating financial institution, when making a qualified loan that will be enrolled under the act, to require the qualified business to which the loan is made to pay a fee of not less than 2% of the principal amount of the loan, but not more than 3 ½% of the principal amount, for deposit in the loss reserve account.

This bill would instead require a financial institution, if it decides to enroll a qualified loan under the act in order to obtain the protection against loss provided by its loss reserve account, to notify the authority in writing, as specified, within 15 days after the date on which the loan is made. The bill also would instead require a participating financial institution, when making a qualified loan that will be enrolled under

the act, to require the qualified business to which the loan is made to pay a fee of not less than 1% of the principal amount of the loan, but not more than 3 ½% of the principal amount, for deposit in the loss reserve account

Vote: majority. Appropriation: no. Fiscal committee: yes.
State-mandated local program: no.

The people of the State of California do enact as follows:

1 SECTION 1. Section 44559.4 of the Health and Safety Code
2 is amended to read:
3 44559.4. (a) If a financial institution that is participating in
4 the Capital Access Loan Program established pursuant to this
5 article decides to enroll a qualified loan under the program in order
6 to obtain the protection against loss provided by its loss reserve
7 account, it shall notify the authority in writing on a form prescribed
8 by the authority, within ~~10~~ 15 days after the date on which the loan
9 is made, of all of the following:
10 (1) The disbursement of the loan.
11 (2) The dollar amount of the loan enrolled.
12 (3) The interest rate applicable to, and the term of, the loan.
13 (4) The amount of the agreed upon premium.
14 (b) The financial institution may make a qualified loan to be
15 enrolled under the program to an individual, or to a partnership or
16 trust wholly owned or controlled by an individual, for the purpose
17 of financing property that will be leased to a qualified business
18 that is wholly owned by that individual. In that case, the property
19 shall be treated as meeting the requirements of paragraph (1) of
20 subdivision (g) of Section 44559.1.
21 (c) When making a qualified loan that will be enrolled under
22 the program, the participating financial institution shall require
23 the qualified business to which the loan is made to pay a fee of
24 not less than ~~2~~ 1 percent of the principal amount of the loan, but
25 not more than 3 ½ percent of the principal amount. The financial
26 institution shall also pay a fee in an amount equal to the fee paid
27 by the borrower. The financial institution shall deliver the fees
28 collected under this subdivision to the authority for deposit in the
29 loss reserve account for the institution. The financial institution
30 may recover from the borrower the cost of its payments to the loss
31 reserve account through the financing of the loan, upon the

1 agreement of the financial institution and the borrower. The
2 financial institution may cover the cost of borrower payments to
3 the loan loss reserve account.

4 (d) When depositing fees collected under subdivision (c) to the
5 credit of the loss reserve account for a participating financial
6 institution, the authority shall do the following:

7 (1) If no matching funds are available under a federal capital
8 access program or other source, the authority shall transfer to the
9 loss reserve account an amount that is not less than the amount of
10 the fees paid by the participating financial institution. However,
11 if the qualified business is located within a severely affected
12 community, the authority shall transfer to the loss reserve account
13 an amount not less than 150 percent of the amount of the fees paid
14 by the participating financial institution.

15 (2) If matching funds are available under a federal capital access
16 program or other source, the authority shall transfer, on an
17 immediate or deferred basis, to the loss reserve account the amount
18 required by that federal program or other source. However, the
19 total amount deposited into the loss reserve account shall not be
20 less than the amount which would have been deposited in the
21 absence of matching funds.